

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Oakland County Comm. Mental Health Auth.		County Oakland
Audit Date 9/30/04	Opinion Date 11/24/04	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 4-18-05

Financial Statements

**Oakland County
Community Mental Health Authority**

Auburn Hills, Michigan

September 30, 2004 and 2003

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Independent Auditors' Report

To the Board
Oakland County Community Mental Health Authority
Auburn Hills, Michigan

We have audited the accompanying basic financial statements of Oakland County Community Mental Health Authority, a component unit of Oakland County, as of and for the year ended September 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oakland County Community Mental Health Authority as of September 30, 2004 and 2003, and the changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated November 24, 2004, on our consideration of the Oakland County Community Mental Health Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits have been made primarily for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the basic financial statements. It has been subjected to the tests and other auditing procedures applied in the audits of the basic financial statements mentioned above and, in our opinion, is fairly stated in all respects material in relation to the basic financial statements taken as a whole.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

November 24, 2004

Management's Discussion and Analysis

History of the Oakland County Community Mental Health Authority

Public Act 54 of 1963

In 1963 the Michigan Legislature passed Public Act 54 that permitted counties to establish local, community-based mental health outpatient programs funded by the state and the county. The county of Oakland promptly took advantage of the new legislation, becoming the *first* county in the state of Michigan to establish a community mental health services board. The board held its first meeting on December 13, 1963. It is now one of forty-six (46) such boards covering the eighty-three (83) counties of Michigan.

The Mental Health Code: Public Act 258 of 1974

The year 1974 saw the publication of the first Michigan Mental Health Code, also known as P.A. 258. Under the code, a county or combination of counties could elect to establish a CMH program, operated under the auspices of a community mental health board consisting of twelve (12) members appointed by the county commissioners for three (3) year overlapping terms. The statute required each CMH Board to submit an annual plan and budget to the Department of Mental Health for approval. The required state financing was changed to an appropriation of 90% state funds with the counties responsible for the remaining ten percent (10%).

With the rise of community-based care, the primary responsibility for providing that care shifted from the state to the CMH's. This transition occurred in stages. In 1981 the then Michigan Department of Mental Health (MDMH) began offering CMH's "shared management" contracts whereby CMH's shared responsibility with the state for planning and coordinating public mental health services. The MDMH also began offering "full management" contracts wherein the entire responsibility for providing public mental health services was shifted to the CMH's. This movement began in 1981 with four (4) full management contracts. Oakland County was one of the *last* to sign a full management contract with the state. Oakland County entered into its first full management contract in 1994. Full management offered "trade off" dollars to build the local CMH budget because the funds that were used to support individuals in institutions were transferred to the CMH which could then use any savings from consumers who moved into the community at less cost than the state facility rates.

The Revised Mental Health Code: Public Act 290 of 1995

An extensive revision to the Mental Health Code was undertaken in 1995 with Public Act 290 of 1995, which took effect March 28, 1996.

There were four major categories of changes in the revisions to the Mental Health Code:

1. Creation of a Mental Health Authority
2. Improved accountability of system (e.g. certification/accreditation and Person Centered Planning)
3. Significant increase in consumer involvement as demonstrated by the requirement of 1/3 consumers on all CMH boards as well as on the state advisory council.
4. Inclusion of a new chapter regarding due process for recipient rights, including provisions for both local and appeals.

Under the revisions, Community Mental Health Services Programs could be organized as:

A county CMH *agency* which is an existing community mental health board that does not elect to convert itself into a community mental health organization or authority; or

A CMH *organization* which is a joint enterprise created by two or more counties under P.A. 7 of 1967, the Urban Cooperation Act, that legally separates the entities from the counties that establish it; an organization is similar to an authority except that it is not available for single county boards and it does not have the same limit to local funding, or

A CMH *authority*.

A CMH *authority* is still a governmental entity but is legally separate from the county or counties that establish it. All employees are employees of the authority and not the county. The authority must be certified by the Michigan Department of Community Health (MDCH) and it can exercise powers not accorded to CMH agencies, such as: acquiring, owning, operating, maintaining, leasing, or selling real or personal property; and acquiring, constructing, maintaining, or operating buildings or improvements.

The Board

On January 1, 1999, the Oakland County Community Mental Health Services Program became an Authority pursuant to an enabling resolution passed by the Oakland County Board of Commissioners in October 1998.

The current Oakland County Community Mental Health Authority Board is made up of twelve (12) members appointed to staggered three-year terms so that four members' terms expire each year.

Medicaid History

In the State of Michigan, Medicaid was billed on a Fee for Service (FFS) basis throughout the mid-1980's until October of 1998. The next phase in the devolution of responsibility from the state to the local level occurred in fiscal year 1998-1999 when the state implemented a 1915 (b) waiver in combination with an existing 1915 (c) waiver obtained from the Health Care Financing Administration (HCFA) for managed care for Medicaid enrollees in Michigan. The state carved out most of the mental health benefits and developmental disabilities services to the CMH's from the health plans delivering medical services. The CMH's signed a new kind of contract with the state for this carve out termed a Managed Specialty Services and Supports contract and accepted capitated funding for this managed care program. This Medicaid waiver and resultant contract provides for much greater flexibility in the delivery of services and supports to consumers. This managed care plan is based on the Michigan requirement for person-centered planning, does not allow for waiting lists for the service system, and maintains a "carve out" for specialty services/supports for the populations served under the Mental Health Code.

In 1998, CMH's were referred to as Pre-Paid Health Plans (PHP's) in the "carve out" and this term was maintained through the October 2000 contract renewal process. In 2002, CMH's were required to submit an "Application for Participation" (AFP) for scoring by the Michigan Department of Community Health in order to be considered eligible to qualify as an entity (PIHP, Prepaid Inpatient Health Plan) capable of administering the managed specialty services/supports under the waiver program.

One of the AFP requirements mandated a minimum number of Medicaid eligibles (20,000) in the respective catchment areas in order to submit an AFP. Oakland County CMH Authority qualified with 75,000 Medicaid eligibles and was awarded a successful score of 100% on its AFP and is today one of 18 PIHP's in Michigan.

Analysis of Financial Operations for FY 2004

The Oakland County Community Mental Health Authority has completed its operations for FY 2003-2004. The results of which are contained in this set of audited financial statements. During FY 2004, OCCMHA established itself as a financially strong organization with enough resources to once again devise creative ways of enhancing services to the individuals we serve. With the budget problems of the past behind us and a stable fiscal foundation, the Authority, in partnership with our Core Agency Providers, expanded and enhanced a variety of services for consumers we serve. Some of the enhanced/expanded programs included:

- Crisis Response Team
- Additional Repair and Maintenance dollars for Adult Foster Care Homes
- Young Adult Program
- After Hours Program
- Dental
- Podiatry
- Respite Care
- Community Living Supports
- Additional Outpatient Clinical Services
- Expanded Clubhouse and Peer Delivered Services
- Direct Care Wage Increase

Even with the additional resources allocated to consumer services, the Authority was also able to increase its organizational reserves by approximately \$6,000,000 in FY 2004. The Authority continues to place emphasis on core financial activities to ensure economic stability in the future. Some of these activities are:

- Fiscal internal controls.
- Contract and fiscal monitoring of Core Agencies.
- Utilization management strategies.
- Extensive review and analysis of internal financial information.
- Management practices based on databased decision-making.
- Financing strategies in accordance with our new investment policy.

This helped the Authority increase its organizational net assets to over \$23,000,000. The attached Balance Sheet, Statement of Revenue/Expenses, and Statement of Cash Flows contain significant account balance variances which are explained in the following sections.

Balance Sheet

The Balance Sheet is a statement that shows the financial position of an organization at a particular point in time. The difference of total assets and total liabilities is expressed as net assets. Condensed financial information and accounts with significant variances from the prior year are explained below:

	Net Assets (in millions)	
	<u>2004</u>	<u>2003</u>
Assets:		
Other assets	\$45,746	\$ 29,421
Capital assets – net	<u>4,937</u>	<u>4,628</u>
Total assets	<u>50,683</u>	<u>34,049</u>
Liabilities:		
Other liabilities	24,782	14,106
Long-term liabilities	<u>2,881</u>	<u>3,172</u>
Total liabilities	<u>27,663</u>	<u>17,278</u>
Net assets:		
Restricted	7,955	7,866
Invested in capital		
assets net of debt	1,765	1,178
Unrestricted	<u>13,300</u>	<u>7,727</u>
Total net assets	<u>\$ 23,020</u>	<u>\$ 16,771</u>

Cash and Investments increased by \$11,987,252 due to the positive operating results over the last two fiscal years.

Accounts Receivable increased due to an increase in the cost settlements with provider of approximately \$3,000,000. Accounts receivable also increased by approximately \$1,000,000 due to HAB Support Waiver funds due from the Michigan Department of Community Health.

Due from/to other Funds consists mostly of funds due to the Operating Internal Service fund for risk reserve established in the prior year. The current year increase is due to the transfer of substance abuse cash to the general fund.

Due from State decreased by approximately \$190,000 of funds related to the Medicaid DD Center. Additionally, only two months of OBRA grant funds for the fiscal year end were not received as of year end, compared with three months not received at the prior year end.

Advances to Providers decreased by \$52,821. This account was comprised of advances made to core providers in operating years 2001 and prior. This account was eliminated in the current year as the remaining balance was determined to be uncollectible and was written off.

Fixed Assets increased by \$309,554 due to final renovation additions to the new administrative building.

Accounts Payable increased by approximately \$625,000 due to an increase in the utilization of community inpatient facilities. Accounts payable also increased by approximately \$400,000 for Children's Waiver and \$430,000 due to a core provider related to a contract amendment.

Due to other Governmental Units increased by \$202,917 because of increases in the contracted amount for the Authority's substance abuse program.

Deferred Revenue increased as a result of the \$2,500,000 general fund carry forward.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the government's net assets changed during the most recent fiscal year.

Changes in Net Assets (in millions)		
	<u>2004</u>	<u>2003</u>
Revenues:		
Medicaid	\$149,893	\$138,031
Other governmental	47,840	60,073
Oakland County	9,621	9,621
Other	870	2,610
Total revenues	<u>208,224</u>	<u>210,335</u>
Expenses:		
Administrative	7,938	7,378
Providers of services	172,218	171,772
State facilities	6,065	5,617
Other	15,540	12,787
Depreciation	271	233
Total expenses	<u>202,032</u>	<u>197,787</u>
Non-operating revenues – net	<u>56</u>	<u>108</u>
Change in net assets	<u>\$ 6,248</u>	<u>\$ 12,656</u>

OCCMHA receives the bulk of its revenues from Medicaid capitation payments, general fund transfers, and Oakland County local match payments. These revenue sources account for 93% of the total revenue budget. This statement provides stakeholders with an opportunity to examine the differences in the assumptions used to generate the budget to what actually occurred during the fiscal year. This report can help identify potential problem areas that should be addressed by management. Budgeted revenues, expenses, and non-operating revenues (expenses) are compared with actual activity to arrive at a variance. The budgeted figures used in this report are as of the May 2004 budget revision. Significant variances are explained below:

Medicaid (managed care) revenues increased due to base increases in the Medicaid allocation as well as additional funds allocated to Oakland County as part of the new payment methodology and rate structure approved by the Michigan Department of Community Health.

State General Fund decreased due to \$5,900,000 of funds being lapsed to the State of Michigan and \$2,500,000 of general funds being carried forward to FY 2005.

Other Revenue decreased by \$1,739,467 because FY 2003 included numerous refunds of prior year's expenditures, including the reversal of an accrued liability from the state audit for FY 2000 of \$1,750,000

OCCMHA Administration increased by \$560,119 but still remained \$936,174 below the approved budget.

Net Core Provider Payments remained relatively constant, with only slight contractual "Not To Exceed" fund increases.

Community Hospital usage increased by \$921,401 during FY 2004.

Purchased Care Services increased by \$1,687,655 due to the purchase of computers for Core Providers as well as providing training to core providers, consumers, and families.

Fiscal Year 2005

Significant events planned for FY 2005:

- Evaluating the costs effectiveness of services for consumers in Oakland County
- Using recently collected data to improve clinical practices and outcomes for consumer services.
- Monitor effectiveness of approved and implemented service expansions and enhancements.
- Refine fiscal monitoring efforts to continue to improve the quality of financial information at the Authority and with our Core Providers.
- Planning for FY 2006.

The Authority remains optimistic about its ability to be competitive in the coming years. A critical part of the continued health of the Authority is to:

- Developing strong Utilization Management practices.
- Continuously look for ways to create efficiencies.
- Ensure that consumers have access to necessary services.
- Ensure a balanced budget for the Authority and its core providers.
- Look for ways to maximize other sources of revenue.

The Authority has succeeded in creating a fiscally stable organization that can focus on the most important aspects of our mission, supporting the advancement of social equity and improved quality of life for adults with serious mental illness, children with serious emotional disturbances, and people with developmental disabilities. We are proud of how far this organization has come since becoming an authority in 1999, and it is our goal to keep building on this success for this year and many years to come.

Contacting the Oakland County Community Mental Health Authority

This financial report is designed to provide all interested parties with an overall picture of the financial condition of the Oakland County Community Mental Health Authority and to show accountability for the money it receives. If you have any questions regarding the content of this report, please contact:

Budget & Finance
2011 Executive Hills Blvd.
Auburn Hills, MI 48326
1-248-858-1210

Oakland County Community Mental Health Authority
Balance Sheets - Proprietary Fund Types
September 30, 2004 and 2003

	2004		
	Business Type Activities		
	CMH Operations	Internal Service	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,764,224	\$ -	\$ 10,764,224
Investments	20,507,295	-	20,507,295
Accounts receivable	5,804,494	-	5,804,494
Due from other funds	-	7,793,089	7,793,089
Due from primary government	32,712	11,907	44,619
Due from state	341,932	-	341,932
Interest receivable	29,510	-	29,510
Advances to providers - prior year	-	-	-
Prepaid expenses	460,141	-	460,141
Total current assets	37,940,308	7,804,996	45,745,304
Capital assets (net of accumulated depreciation of \$1,346,846 and \$1,075,649)	4,937,370	-	4,937,370
Total assets	\$ 42,877,678	\$ 7,804,996	\$ 50,682,674
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 5,020,317	\$ -	\$ 5,020,317
Due to other funds	7,793,089	-	7,793,089
Due to other governmental units	202,917	-	202,917
Due to state	8,225,880	-	8,225,880
Accrued payroll and benefits	164,818	-	164,818
Accrued interest	87,339	-	87,339
Other accrued liabilities	-	-	-
Accrued compensated absences	292,260	-	292,260
Current portion - long term debt	291,013	-	291,013
Deferred revenue	2,704,339	-	2,704,339
Total current liabilities	24,781,972	-	24,781,972
Mortgage payable, net of current portion	2,881,091	-	2,881,091
Total liabilities	27,663,063	-	27,663,063
Net assets:			
Restricted	149,674	7,804,996	7,954,670
Invested in capital assets, net of related debt	1,765,266	-	1,765,266
Unrestricted	13,299,675	-	13,299,675
Total net assets	15,214,615	7,804,996	23,019,611
Total liabilities and net assets	\$ 42,877,678	\$ 7,804,996	\$ 50,682,674

See notes to financial statements.

2003
Business Type Activities

CMH	Internal	
Operations	Service	Total
\$ 19,148,448	\$ 135,819	\$ 19,284,267
-	-	-
1,545,932	-	1,545,932
9,793	7,578,010	7,587,803
18,291	11,907	30,198
569,195	-	569,195
8,316	-	8,316
52,821	-	52,821
342,302	-	342,302
21,695,098	7,725,736	29,420,834
4,627,816	-	4,627,816
\$ 26,322,914	\$ 7,725,736	\$ 34,048,650
\$ 3,684,203	\$ -	\$ 3,684,203
7,578,010	9,793	7,587,803
-	-	-
1,826,298	-	1,826,298
122,953	-	122,953
94,990	-	94,990
892	-	892
298,938	-	298,938
277,896	-	277,896
211,434	-	211,434
14,095,614	9,793	14,105,407
3,172,104	-	3,172,104
17,267,718	9,793	17,277,511
149,674	7,715,943	7,865,617
1,177,816	-	1,177,816
7,727,706	-	7,727,706
9,055,196	7,715,943	16,771,139
\$ 26,322,914	\$ 7,725,736	\$ 34,048,650

Oakland County Community Mental Health Authority
Statements of Revenues, Expenses, and Changes
in Fund Net Assets - All Proprietary Fund Types
For the Years Ended September 30, 2004 and 2003

2004

	Business Type Activities		
	CMH Operations	Internal Service	Total
Operating revenues			
Medicaid - specialty managed care capitation	\$148,372,419	\$ -	\$ 148,372,419
Medicaid - child waiver	1,520,347	-	1,520,347
State general fund (Note 10)	36,486,821	-	36,486,821
Adult benefit waiver	2,853,305	-	2,853,305
State facilities	4,873,919	-	4,873,919
Transfer from Oakland County	9,620,616	-	9,620,616
MI child	140,750	-	140,750
Other revenue	870,096	-	870,096
Categorical	459,110	-	459,110
OBRA reimbursement	463,714	-	463,714
Grant revenue	525,180	-	525,180
Title XX	75,409	-	75,409
Substance abuse	1,962,259	-	1,962,259
Total operating revenues	208,223,945	-	208,223,945
Operating expenses			
Program expenses			
Administrative	7,938,422	-	7,938,422
Macomb Oakland Regional Center	103,416,208	-	103,416,208
Training and Treatment Innovations	12,677,811	-	12,677,811
St. Joseph Mercy Services	-	-	-
Easter Seals	23,724,048	-	23,724,048
Common Ground Sanctuary	5,588,273	-	5,588,273
Community Housing Network	4,557,301	-	4,557,301
Community Network Services	22,253,828	-	22,253,828
State facilities	6,065,144	-	6,065,144
Community hospitals	7,514,070	-	7,514,070
Substance abuse	1,870,579	-	1,870,579
Purchased care services	2,829,111	-	2,829,111
Purchased care services-prior year	423,654	-	423,654
Grants	525,180	-	525,180
Local match transfer - Medicaid drawdown	2,377,121	-	2,377,121
Non-program expenses			
Depreciation	271,197	-	271,197
Total operating expenses	202,031,947	-	202,031,947
Operating income	6,191,998	-	6,191,998
Non-operating revenues (expenses)			
Interest income	145,297	89,053	234,350
Interest expense	(155,189)	-	(155,189)
Unrealized loss on investments	(22,687)	-	(22,687)
Total non-operating revenues	(32,579)	89,053	56,474
Change in net assets	6,159,419	89,053	6,248,472
Net assets - beginning of year	9,055,196	7,715,943	16,771,139
Net assets - end of year	\$ 15,214,615	\$ 7,804,996	\$ 23,019,611

See notes to financial statements.

2003
Business Type Activities

CMH Operations	Internal Service	Total
\$ 136,760,923	\$ -	\$ 136,760,923
1,270,389	-	1,270,389
44,404,609	7,578,010	51,982,619
-	-	-
4,505,578	-	4,505,578
9,620,616	-	9,620,616
122,291	-	122,291
2,609,563	-	2,609,563
494,011	-	494,011
479,610	-	479,610
504,605	-	504,605
75,409	-	75,409
1,897,236	11,907	1,909,143
202,744,840	7,589,917	210,334,757
7,378,303	-	7,378,303
121,303,969	-	121,303,969
10,474,504	-	10,474,504
701,784	-	701,784
18,738,519	-	18,738,519
5,540,694	-	5,540,694
3,603,893	-	3,603,893
11,408,058	-	11,408,058
5,617,136	-	5,617,136
6,592,669	-	6,592,669
1,747,561	-	1,747,561
1,536,404	-	1,536,404
28,706	-	28,706
504,605	-	504,605
2,377,121	-	2,377,121
232,950	-	232,950
197,786,876	-	197,786,876
4,957,964	7,589,917	12,547,881
203,125	121	203,246
(94,990)	-	(94,990)
-	-	-
108,135	121	108,256
5,066,099	7,590,038	12,656,137
3,989,097	125,905	4,115,002
\$ 9,055,196	\$7,715,943	\$ 16,771,139

Oakland County Community Mental Health Authority
Statements of Cash Flows - All Proprietary Fund Types
For the Years Ended September 30, 2004 and 2003

	2004		
	Business Type Activities		
	CMH Operations	Internal Service	Total
Cash flows from operating activities:			
Cash receipts from the State and other governments	\$ 206,671,130	\$ -	\$ 206,671,130
Cash payments to suppliers	(188,416,019)	-	(188,416,019)
Cash payments to employees	(5,436,841)	-	(5,436,841)
Net cash provided by operating activities	12,818,270	-	12,818,270
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	224,872	(224,872)	-
Net cash provided by (used in) non-capital financing activities	224,872	(224,872)	-
Cash flows used in capital and related financing activities:			
Acquisition of capital assets	(580,751)	-	(580,751)
Principal payments on long-term debt	(277,896)	-	(277,896)
Interest expense	(162,840)	-	(162,840)
Net cash used in capital and related financing activities	(1,021,487)	-	(1,021,487)
Cash flows from investing activities:			
Interest income	124,103	89,053	213,156
Purchase of investments	(20,529,982)	-	(20,529,982)
Proceeds from sale of investments	-	-	-
Net cash provided by (used in) investing activities	(20,405,879)	89,053	(20,316,826)
Net increase in cash and cash equivalents	(8,384,224)	(135,819)	(8,520,043)
Cash and cash equivalents - beginning of year	19,148,448	135,819	19,284,267
Cash and cash equivalents - end of year	\$ 10,764,224	\$ - 0 -	\$ 10,764,224
Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ 6,191,998	\$ -	\$ 6,191,998
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	271,197	-	271,197
Changes in operating assets and liabilities			
Accounts receivable	(4,258,562)	-	(4,258,562)
Due (to) from other funds	-	-	-
Due from governments	212,842	-	212,842
Advances to providers	52,821	-	52,821
Prepayments and other assets	(117,839)	-	(117,839)
Accounts payable	1,336,114	-	1,336,114
Due to governments	6,602,499	-	6,602,499
Accrued liabilities	34,295	-	34,295
Deferred revenue	2,492,905	-	2,492,905
Net cash provided by operating activities	\$ 12,818,270	\$ - 0 -	\$ 12,818,270

Disclosure of Non-Cash Activities:

During fiscal year ending September 30, 2003, the Authority purchased a new building and related land for \$3,450,000 by incurring long-term debt of this amount.

See notes to financial statements.

2003
Business Type Activities

CMH	Internal	
Operations	Service	Total
\$ 217,404,429	\$ -	\$ 217,404,429
(202,168,673)	-	(202,168,673)
(5,453,304)	-	(5,453,304)
9,782,452	-	9,782,452
-	-	-
-	-	-
(1,090,410)	-	(1,090,410)
-	-	-
(1,090,410)	-	(1,090,410)
236,713	1,405	238,118
-	-	-
2,950,882	-	2,950,882
3,187,595	1,405	3,189,000
11,879,637	1,405	11,881,042
7,268,811	134,414	7,403,225
\$ 19,148,448	\$ 135,819	\$ 19,284,267
\$ 4,957,964	\$ 7,589,917	\$ 12,547,881
232,950	-	232,950
1,569,306	-	1,569,306
7,578,010	(7,578,010)	-
5,729,480	(11,907)	5,717,573
1,064,965	-	1,064,965
49,822	-	49,822
(3,650,715)	-	(3,650,715)
(7,186,801)	-	(7,186,801)
(345,322)	-	(345,322)
(217,207)	-	(217,207)
\$ 9,782,452	\$ - 0 -	\$ 9,782,452

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

1. Summary of significant accounting policies

The fund financial statements of the Oakland County Community Mental Health Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of the Authority's accounting policies are described below.

A. Reporting entity

The Authority, which is a governmental organization, was created under an agreement as authorized by Public Act 267 of 1976 for the purpose of providing services related to the mental health and developmental disability needs of Oakland County residents. The Authority's activities are funded through state allocations, federal grants, county appropriations, service fees, and local gifts and grants. The Authority's financial statements are included in the County of Oakland's ("County") Comprehensive Annual Financial Report for the year ended September 30, 2004 as a discretely presented component unit.

The Authority receives its revenues through state allocations as follows:

	<u>2004</u>	<u>2003</u>
General fund	21%	27%
Medicaid	72	66
	<u>93%</u>	<u>93%</u>

B. Financial statement presentation

In 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Under GASB 34, the Authority is classified as a special purpose government and is required to present statements required for enterprise funds.

The Authority has two internal service funds that have been grouped with the enterprise fund. Since the measurement focus/basis of accounting is similar between enterprise and internal service funds, a government-wide financial statement and fund financial statement would present duplicate information, therefore, a separate government-wide statement has not been presented.

C. Fund accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Proprietary Funds

Enterprise Fund – The CMH operations fund is used to account for those activities that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. There is one Enterprise Fund of the Authority which accounts for their general operations.

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

1. Summary of significant accounting policies – (continued)

C. Fund accounting – (continued)

Proprietary Funds – (continued)

Internal Service Funds – These funds account for the operations that provide services to other departments of the government on a cost-reimbursement basis. The Operating Risk Management Fund and the Substance Abuse Risk Management Fund are the Authority's Internal Service Funds.

D. Basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decrease (expenses) in net total assets.

E. Cash and cash equivalents

Cash and cash equivalents include depository accounts, institutional sweep accounts, and certificates of deposit. For cash flow purposes, the Authority considers short-term investments with a maturity date of less than 90 days at the time of acquisition to be cash and cash equivalents.

F. Investments

Investments are stated at fair value based on quoted market prices.

G. Interfund receivables/payables

During the course of operations, transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Accounts receivable

Uncollectible receivables are expected to be immaterial and no allowance has been reserved.

I. Prepaid expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in the accompanying balance sheet.

J. Fixed assets

Assets purchased whose value exceeds \$5,000 are capitalized and reported in the proprietary fund types. All purchased fixed assets are recorded at cost. Donated fixed assets, if any, are valued at their estimated fair value on the date received. Fixed assets are being depreciated on a straight-line basis over estimated useful lives of five to thirty years.

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

1. Summary of significant accounting policies – (continued)

K. Compensated absences

The Authority provides three types of compensated absences; vacation, sick, and personal time. Accumulated compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expense and liability.

L. Net assets

Net assets in the CMH Operations fund from the Substance Abuse program are restricted to be used in substance abuse programming.

M. Governmental Accounting Standards Board Statement 20

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, the Authority has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 to its proprietary funds.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and investments

The captions on the financial statements for the deposits and investment accounts are as follows:

	<u>Deposits</u>	
	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$10,764,224	\$19,284,267
Investments	<u>20,507,295</u>	<u>-</u>
	<u>\$31,271,519</u>	<u>\$19,284,267</u>

Deposits:

At year end, the carrying amount of the Authority's deposits (including certificates of deposit and money markets of \$4,419,817) was \$4,513,483, excluding petty cash of \$2,150, and the bank balance was \$4,518,268. Of the bank balance, \$126,201 was covered by federal depository insurance and \$4,392,067 was neither insured nor collateralized.

Investments:

The Authority is authorized to invest in the following types of securities authorized by Public Act 20 of 1943, as amended:

- Bonds, securities, other obligations of the United States or an agency or instrumentality of the United States

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

2. Cash and investments – (continued)

Investments: - (continued)

- Certificates of deposits, savings accounts, deposit accounts or depository receipts of a federal and/or state regulated financial institution.
- Commercial paper rated at the time of purchase at the highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptance of United States banks
- Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year end. The categories are defined as follows: Category 1 includes investments that are insured or registered, or for which securities are held by the Authority or its custodial agent in the Authority's name; Category 2 includes uninsured and registered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name; and Category 3 includes uninsured investments for which the securities are held by the broker or dealer, or by its trust department or agent not in the Authority's name.

	<u>Category</u>			<u>Carrying</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Repurchase agreement (checking/sweep account)	\$ -	\$ -	\$4,419,817	\$4,419,817	\$4,419,817
U.S. Government and Agency Securities	-	20,507,295	-	20,507,295	20,507,295
	<u>\$ -0-</u>	<u>\$20,507,295</u>	<u>\$4,419,817</u>	<u>\$24,927,112</u>	<u>\$24,927,112</u>

3. Capital assets

The capital assets included in the Authority's enterprise fund as of September 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Capital assets being depreciated:		
Computer equipment	\$ 1,484,848	\$ 1,421,017
Furniture, fixtures, and equipment	58,794	-
Building	2,611,000	2,611,000
Building renovations	<u>1,290,574</u>	<u>832,448</u>
Subtotal	5,445,216	4,864,465
Less accumulated depreciation	<u>(1,346,846)</u>	<u>(1,075,649)</u>
Net capital assets being depreciated	4,098,370	3,788,816
Land	<u>839,000</u>	<u>839,000</u>
Net capital assets	<u>\$ 4,937,370</u>	<u>\$ 4,627,816</u>

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

4. Defined contribution pension plans

The Authority participates in a qualified defined contribution pension plan under IRS Code Section 401(a) managed and administered by the I.C.M.A. Retirement Corporation. This pension plan was established by the Authority to provide benefits at retirement to the Authority's employees. Plan members are not required to contribute to the plan but have the option of contributing up to 5% of covered salary depending on the date of hire, transfer from Oakland County and union contracts. The Authority is required to contribute from 5% to 6% of covered payroll. Contributions made by the Authority progressively vest over seven years. Plan provisions and contribution requirements are established and may be amended by the Authority. Employer and employee contributions were made in the amount of \$238,152 and \$51,609, respectively, for the fiscal year ending September 30, 2004 and \$224,297 and \$58,590, respectively, for the fiscal year ending September 30, 2003.

The Authority has also elected to participate in a qualified defined contribution pension plan under IRS Code Section 401(a) in lieu of social security contributions for full-time and eligible part-time employees. The plan is managed and administered by I.C.M.A. Retirement Corporation. The plan requires contributions from qualified employees at a rate of 6.2% and a matching contribution from the Authority at a rate of 6.2%. Plan provisions and contribution requirements are established and may be amended by the Authority. Both employee and employer contributions are 100% vested at the time of contribution. Employer and employee contributions were made in the amounts of \$253,523 and \$238,918 for the years ending September 30, 2004 and September 30, 2003, respectively.

5. Risk management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation), as well as medical benefits provided to employees. During the year ended September 30, 2004 and 2003, the Authority carried commercial insurance to cover all risk of losses, except for employee medical benefits, for which the Authority is self-insured. Previously, the Authority was covered through the County of Oakland's self-insurance plan. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in the past four years.

In addition to these coverages, the Authority has established two internal service funds to cover any potential operating shortfalls under the terms of its contract with the Michigan Department of Community Health.

The Authority is self-insured for employee medical benefits. The Authority has a stop loss insurance policy of \$50,000 per person per year/\$250,000 aggregate.

6. Operating leases

The Authority was obligated under certain operating leases for land and buildings associated with the Authority's operations. Operating leases do not give rise to property rights, and therefore, the results of the lease agreements were not recognized in the Authority's fixed assets. Lease expense for the year ended September 30, 2004 and 2003 totaled \$34,046 and \$477,473, respectively. In October 2003, the Authority moved its operations into the building purchased in fiscal year ending September 30, 2003. At that time, all operating leases for land and building were eliminated.

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

7. Long-term debt

	<u>2003</u>	<u>Additions (Reductions)</u>	<u>2004</u>
Mortgage loan with a finance company payable in annual installments of \$440,736, including interest at 4.72%, beginning March 2004, secured by building, improvements, and real estate, due on March 10, 2013	\$3,450,000	\$(277,896)	\$3,172,104
Less current portion	<u>277,896</u>	<u>13,117</u>	<u>291,013</u>
	<u>\$3,172,104</u>	<u>\$(291,013)</u>	<u>\$2,881,091</u>

The annual requirements to pay principal and interest on the outstanding obligations at September 30, 2004 are as follows:

2005	\$ 440,736
2006	440,736
2007	440,736
2008	440,736
2009	440,736
2010 and after	<u>1,762,943</u>
	3,966,623
Amount representing interest	<u>(794,519)</u>
	<u>\$3,172,104</u>

8. Risk reserve fund net assets

Contributions to the Risk Reserve Internal Service Funds are considered eligible expenses under the MDCH contract, and accordingly are included on the Combined Statement of Revenue, Expenses, and Changes in Fund Net Assets in the various expenses categories. There were no transfers from the Operating Risk Reserve Internal Service Fund to the CMH Operations Fund for the year ended September 30, 2004. For the year ended September 30, 2003, contributions to the Operating Risk Reserve and Substance Abuse Risk Reserve Internal Service Funds were \$7,578,010 and \$11,907, respectively. Beginning January 2004, substance abuse revenues are no longer segregated from the overall Medicaid revenues. As a result, there is no longer a need for the Substance Abuse Risk Reserve Internal Service Fund and therefore, was combined into the Operating Risk Reserve Internal Service Fund in 2004.

9. Due to/from other funds

The Authority has the following interfund receivables and payable at September 30, 2004 and 2003:

	<u>2004</u>		<u>2003</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Fund – CMH Operations	\$ -	\$7,704,306	\$ 9,793	\$7,578,010
Internal Service Funds:				
Operating Risk Reserve	<u>7,704,306</u>	<u>-</u>	<u>7,578,010</u>	<u>9,793</u>
Total	<u>\$7,704,306</u>	<u>\$7,704,306</u>	<u>\$7,587,803</u>	<u>\$7,587,803</u>

Oakland County Community Mental Health Authority
Notes to Financial Statements
September 30, 2004 and 2003

10. State general fund revenue

In 2004, there existed State General Fund program funds received in excess of General Fund program expenses by approximately \$8.4 million. Of the excess, \$2.5 million is allowed to be retained by the Authority for future program needs while the remaining \$5.9 million will be returned to the State. These amounts are reflected as liabilities at September 30, 2004.

Supplemental Information

Oakland County Community Mental Health Authority
Statements of Revenues, Expenses, and Changes
in Fund Net Assets - Enterprise Fund
Budget to Actual
For the Years Ended September 30, 2004 and 2003

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating revenues			
Medicaid - specialty managed care capitation	\$ 149,126,001	\$ 148,372,419	\$ (753,582)
Medicaid - child waiver	1,200,000	1,520,347	320,347
State general fund (Note 10)	44,518,632	36,486,821	(8,031,811)
Adult benefit waiver	2,700,000	2,853,305	153,305
State facilities	4,874,559	4,873,919	(640)
Transfers from Oakland County	9,620,616	9,620,616	-
MI child	138,000	140,750	2,750
Other revenue	6,000	870,096	864,096
Categorical	50,000	459,110	409,110
OBRA reimbursement	523,371	463,714	(59,657)
Grant revenue	632,451	525,180	(107,271)
Title XX	75,409	75,409	-
Substance abuse	1,936,814	1,962,259	25,445
Total operating revenues	215,401,853	208,223,945	(7,177,908)
Operating expenses			
Program expenses			
OCCMHA administration	8,874,596	7,938,422	936,174
Macomb Oakland Regional Center	105,512,921	103,416,208	2,096,713
Training and Treatment Innovations	12,773,974	12,677,811	96,163
St. Joseph Mercy Services	-	-	-
Easter Seals	23,463,401	23,724,048	(260,647)
Common Ground Sanctuary	5,702,993	5,588,273	114,720
Community Housing Network	4,871,665	4,557,301	314,364
Community Network Services	21,947,576	22,253,828	(306,252)
State facilities	6,867,859	6,065,144	802,715
Community hospitals	6,612,055	7,514,070	(902,015)
Substance abuse	1,775,000	1,870,579	(95,579)
Purchased care services	3,187,787	2,829,111	358,676
Purchased care services-prior year	-	423,654	(423,654)
Grants	648,033	525,180	122,853
Local match transfer - Medicaid drawdown	2,377,121	2,377,121	-
Non-program expenses			
Depreciation	623,749	271,197	352,552
Total operating expenses	205,238,730	202,031,947	3,206,783
Operating income	10,163,123	6,191,998	(3,971,125)
Non-operating revenues (expenses)			
Interest income	160,000	145,297	(14,703)
Interest expense	(155,189)	(155,189)	-
Unrealized loss on investments	-	(22,687)	(22,687)
Total non-operating revenues	4,811	(32,579)	(37,390)
Change in net assets	10,167,934	6,159,419	(4,008,515)
Net assets - beginning of year	9,055,196	9,055,196	-
Net assets - end of year	\$ 19,223,130	\$ 15,214,615	\$ (4,008,515)

2003		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 134,857,756	\$ 136,760,923	\$ 1,903,167
1,200,000	1,270,389	70,389
52,350,020	44,404,609	(7,945,411)
-	-	-
4,839,640	4,505,578	(334,062)
9,620,616	9,620,616	-
108,000	122,291	14,291
6,000	2,609,563	2,603,563
103,870	494,011	390,141
611,111	479,610	(131,501)
624,434	504,605	(119,829)
75,409	75,409	-
1,701,630	1,897,236	195,606
206,098,486	202,744,840	(3,353,646)
9,413,541	7,378,303	2,035,238
123,278,238	121,303,969	1,974,269
10,430,530	10,474,504	(43,974)
11,729,488	701,784	11,027,704
17,509,881	18,738,519	(1,228,638)
5,574,374	5,540,694	33,680
3,901,602	3,603,893	297,709
-	11,408,058	(11,408,058)
6,621,353	5,617,136	1,004,217
7,212,055	6,592,669	619,386
1,634,716	1,747,561	(112,845)
1,955,719	1,536,404	419,315
-	28,706	(28,706)
624,434	504,605	119,829
2,377,121	2,377,121	-
240,000	232,950	7,050
202,503,052	197,786,876	4,716,176
3,595,434	4,957,964	1,362,530
150,000	203,125	53,125
-	(94,990)	(94,990)
-	-	-
150,000	108,135	(41,865)
3,745,434	5,066,099	1,320,665
3,989,097	3,989,097	-
\$ 7,734,531	\$ 9,055,196	\$ 1,320,665

Oakland County Community Mental Health Authority
Schedules of Administrative Expenses - Enterprise Fund
Budget to Actual
For the Years Ended September 30, 2004 and 2003

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Salaries and benefits	\$ 5,931,656	\$ 5,471,136	\$ 460,520
Accreditation	15,000	-	15,000
Advertising	22,800	9,419	13,381
Accounting and auditing services	65,000	60,036	4,964
Bad debt	-	-	-
Communications	135,788	76,278	59,510
Contracted services	286,200	354,895	(68,695)
Consulting services	600,400	640,588	(40,188)
Consumer initiatives	24,000	15,034	8,966
Copier charges	35,284	36,072	(788)
Expendable furniture and equipment	502,942	245,777	257,165
Memberships, dues, and publications	26,300	25,404	896
Information systems operations	-	10,030	(10,030)
Insurance	110,000	147,968	(37,968)
Legal services	200,000	168,541	31,459
Licenses and permits	-	92,793	(92,793)
Medical exams	260	260	-
Mileage	31,610	24,080	7,530
Miscellaneous	-	1,432	(1,432)
Per diems and fees	25,000	22,342	2,658
Postage	38,316	37,575	741
Printing	45,600	60,842	(15,242)
Provisions	30,350	24,046	6,304
Rent	255,774	34,046	221,728
Repairs and maintenance	168,550	99,146	69,404
Supplies	43,500	60,369	(16,869)
Transportation	9,050	11,337	(2,287)
Travel and conference	39,000	67,631	(28,631)
Training	193,850	78,878	114,972
Utilities	38,366	62,467	(24,101)
Total administrative expense	\$ 8,874,596	\$ 7,938,422	\$ 936,174

2003		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,919,855	\$ 5,107,982	\$ 811,873
10,000	-	10,000
31,750	12,367	19,383
50,000	61,264	(11,264)
373,000	-	373,000
121,976	149,490	(27,514)
210,008	63,695	146,313
558,100	571,998	(13,898)
24,000	14,599	9,401
35,002	29,350	5,652
184,039	210,721	(26,682)
28,400	22,588	5,812
63,370	52,270	11,100
149,138	135,778	13,360
180,000	106,093	73,907
128,480	84,580	43,900
240	120	120
35,050	24,320	10,730
-	600	(600)
2,000	61	1,939
38,517	27,629	10,888
64,000	33,805	30,195
30,350	11,002	19,348
613,984	477,473	136,511
242,814	19,005	223,809
51,816	40,490	11,326
11,550	10,931	619
49,102	70,577	(21,475)
207,000	36,387	170,613
-	3,128	(3,128)
<u>\$ 9,413,541</u>	<u>\$ 7,378,303</u>	<u>\$ 2,035,238</u>

**Oakland County Community Mental Health Authority
Combining Balance Sheets
Internal Service Funds
September 30, 2004 and 2003**

	2004		
	Operating Risk Reserve	Substance Abuse Risk Reserve	Total
Assets			
Current assets:			
Cash	\$ -	\$ -	\$ -
Due from other funds	7,793,089	-	7,793,089
Due from primary government	11,907	-	11,907
Interest receivable	-	-	-
Total assets	<u>\$ 7,804,996</u>	<u>\$ - 0 -</u>	<u>\$ 7,804,996</u>
Liabilities and Net Assets			
Current liabilities:			
Due to enterprise fund	\$ -	\$ -	\$ -
Net Assets:			
Restricted for risk reserve	7,804,996	-	7,804,996
Total liabilities and net assets	<u>\$ 7,804,996</u>	<u>\$ - 0 -</u>	<u>\$ 7,804,996</u>

2003		
Operating Risk Reserve	Substance Abuse Risk Reserve	Total
\$ -	\$ 135,819	\$ 135,819
7,578,010	-	7,578,010
-	11,907	11,907
-	-	-
<u>\$ 7,578,010</u>	<u>\$ 147,726</u>	<u>\$ 7,725,736</u>

\$ -	\$ 9,793	\$ 9,793
7,578,010	137,933	7,715,943
<u>\$ 7,578,010</u>	<u>\$ 147,726</u>	<u>\$ 7,725,736</u>

Oakland County Community Mental Health Authority
Combining Statements of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Years Ended September 30, 2004 and 2003

	2004		
	Operating Risk Reserve	Substance Abuse Risk Reserve	Total
Operating revenues			
State general fund	\$ -	\$ -	\$ -
Other revenue	-	-	-
Substance abuse	-	-	-
Total operating revenues	-	-	-
Non-operating revenues			
Interest income	89,053	-	89,053
Total non-operating revenues	89,053	-	89,053
Changes in net assets	89,053	-	89,053
Transfers to (from) other funds	137,933	(137,933)	-
Net assets - beginning of year	7,578,010	137,933	7,715,943
Net assets - end of year	\$ 7,804,996	\$ - 0 -	\$ 7,804,996

2003		
Operating Risk Reserve	Substance Abuse Risk Reserve	Total
\$ 7,578,010	\$ -	\$ 7,578,010
-	-	-
-	11,907	11,907
7,578,010	11,907	7,589,917
-	121	121
-	121	121
7,578,010	12,028	7,590,038
-	-	-
-	125,905	125,905
\$ 7,578,010	\$ 137,933	\$ 7,715,943

Oakland County Community Mental Health Authority
Combining Statements of Cash Flows
Internal Service Funds
For the Years Ended September 30, 2004 and 2003

	2004		
	Operating Risk Reserve	Substance Abuse Risk Reserve	Total
Cash flows from operating activities:			
Cash receipts from consumers	\$ -	\$ -	\$ -
Cash payments to suppliers	-	-	-
Cash payments to employees	-	-	-
Net cash provided by operating activities	-	-	-
Cash flows from non-capital financing activities			
Transfers to other funds	(89,053)	(135,819)	(224,872)
Cash flows from investing activities			
Interest income	89,053	-	89,053
Proceeds from sale of investments	-	-	-
Net cash provided by investing activities	89,053	-	89,053
Net increase in cash and cash equivalents	-	(135,819)	(135,819)
Cash and cash equivalents - beginning of year	-	135,819	135,819
Cash and cash equivalents - end of year	\$ - 0 -	\$ - 0 -	\$ - 0 -
Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in operating assets and liabilities			
Due (to) from other funds	-	-	-
Due from governments	-	-	-
Net cash provided by operating activities	\$ - 0 -	\$ - 0 -	\$ - 0 -

2003		
Operating Risk Reserve	Substance Abuse Risk Reserve	Total
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	1,405	1,405
-	-	-
-	1,405	1,405
-	1,405	1,405
-	134,414	134,414
\$ - 0 -	\$ 135,819	\$ 135,819
\$ 7,578,010	\$ 11,907	\$ 7,589,917
(7,578,010)	-	(7,578,010)
-	(11,907)	(11,907)
\$ - 0 -	\$ - 0 -	\$ - 0 -

OMB Circular A-133 Report

**Oakland County
Community Mental Health Authority
Auburn Hills, Michigan**

September 30, 2004

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**Independent Auditors' Report on Compliance and on Internal
Control over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Members of the Board
Oakland County Community Mental Health Authority
Auburn Hills, Michigan

We have audited the basic financial statements of the Oakland County Community Mental Health Authority (OCCMHA) as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Oakland County Community Mental Health Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Oakland County Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Authority Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKR Dupuis & Ryder

Certified Public Accountants
Flint Office

November 24, 2004

**Independent Auditors' Report on Compliance with Requirements
Applicable to each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the Members of the Board
Oakland County Community Mental Health Authority
Auburn Hills, Michigan

Compliance

We have audited the compliance of the Oakland County Community Mental Health Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. The Oakland County Community Mental Health Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Oakland County Community Mental Health Authority's management. Our responsibility is to express an opinion on Oakland County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oakland County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Oakland County Community Mental Health Authority's compliance with those requirements.

In our opinion, the Oakland County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control over Compliance

The management of the Oakland County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Oakland County Community Mental Health Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Oakland County Community Mental Health Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fund financial statements taken as a whole.

This report is intended solely for the information of the audit committee, management, the Authority Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

November 24, 2004

Oakland County Community Mental Health Authority
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receivable (Payable) 9/30/03</u>	<u>Receipts</u>
U.S. Department of Housing and Urban Development: Passed through the Michigan Department of Community Health: Shelter Plus Care	14.238	\$ 48,480	\$116,455
U.S. Department of Health and Human Services: Passed through the Michigan Department of Community Health: PATH Grant	93.150	4,837	66,892
Block Grants for Community Mental Health Services:			
Senior Outreach	93.958*	44,990	44,990
Site Enhancement	93.958*	8,358	11,432
Family Centered Assessment	93.958*	3,619	3,619
Hispanic Intensive Outpatient	93.958*	8,191	8,191
Three Week Intensive Clubhouse Training	93.958*	10,000	10,000
ACT Lifestyle Training	93.958*	2,000	1,957
Building Natural Supports for Hispanics	93.958*	10,709	10,709
Consumers Case Management Assistants	93.958*	24,747	24,747
Our House Clubhouse Housing Unit	93.958*	26,170	26,170
MCET	93.958*	20,749	64,816
Commercial Kitchen appliances	93.958*	-	-
Homeless Population	93.958*	-	10,012
Innovation in Jail Diversion	93.958*	-	7,903
Freedom Rd. Transportation	93.958*	-	16,716
Anti-Stigma Project	93.958*	-	24,877
Environment and Activity Enhancement	93.958*	-	7,528
Anti-Stigma Community Education	93.958*	-	-
Total		159,533	273,667
Medical Assistance Program: OBRA/PASARR	93.778 *	84,477	387,639
Total federal expenditures		\$297,327	\$844,653

* Denotes major federal program.

<u>Disbursements</u>	Receivable (Payable) <u>9/30/04</u>
<u>\$107,682</u>	<u>\$ 39,707</u>
<u>103,186</u>	<u>41,131</u>
-	-
3,074	-
-	-
-	-
-	-
(43)	-
-	-
-	-
-	-
78,908	34,841
17,535	17,535
16,636	6,624
7,389	(514)
23,656	6,940
67,290	42,413
9,505	1,977
<u>40,098</u>	<u>40,098</u>
<u>264,048</u>	<u>149,914</u>
<u>347,785</u>	<u>44,623</u>
<u>\$822,701</u>	<u>\$275,375</u>

Oakland County Community Mental Health Authority
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2004

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Oakland County Community Mental Health Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reconciliation to fund financial statements

Revenue per fund financial statements:

OBRA reimbursement	\$463,714
Grant revenue	<u>525,180</u>
	988,894
State funding of OBRA reimbursement and grants	<u>166,193</u>
Federal revenue per schedule of federal awards	<u><u>\$822,701</u></u>

3. Subrecipient

During 2004, \$791,170 of the federal funding was expended by subrecipients.

**Oakland County Community Mental Health Authority
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Going concern explanatory paragraph included

_____ Yes X No

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified

Not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified

Not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)?

_____ Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.778

Medical Assistance Program - OBRA/PASARR

93.950

Block Grants for Community Mental Health Service

Dollar threshold used to distinguish
between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee

_____ Yes X No

(continued)

**Oakland County Community Mental Health Authority
Schedule of Findings and Questioned Costs – (continued)
For the Year Ended September 30, 2004**

Section II – Financial Statement Findings

Findings relating to the financial statements reported in accordance with *Governmental Auditing Standards*:

None

Section III

Findings and questioned costs relating to federal awards:

None

**Oakland County Community Mental Health Authority
Schedule of Prior Audit Findings
For the Year Ended September 30, 2004**

Prior audit findings:

03-01	Program:	CFDA #93.958 Title: Block Grants for Community Mental Health Services
	Criteria:	The auditee is to submit quarterly billings within 30 days after month-end.
	Condition:	Billings reviewed indicated four out of seven were not submitted in a timely manner.
	Questioned costs:	\$-0-
	Current year status:	Contracted core provider complied with grant regulations, guidelines and deadlines.

November 24, 2004

Members of the Board
Oakland County Community Mental
Health Authority
Pontiac, Michigan

We have audited the basic financial statements of Oakland County Community Mental Health Authority (the Authority) for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the fund financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the fund financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance

to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the settlement receivables related to the contracts with the core providers.

Management's estimate of the core provider receivables is currently recorded based on the difference between the contract not to exceed amount and the actual amount of expenditures provided by the core provider on their Schedule A submitted to the Authority. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the fund financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the fund financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments related to various accounts. All adjustments were recorded within the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Board
Oakland County Community Mental
Health Authority
November 24, 2004
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by Oakland County Community Mental Health Authority personnel during the course of the audit. If you have any questions regarding the contents of this letter please contact us.

Sincerely,

BKR Dupuis & Ryden

BKR Dupuis & Ryden
Flint Office